

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF STODDARD ) APPEAL NO. 07-A-2669  
CLARK FAMILY CABIN TRUST from the decision of ) FINAL DECISION  
the Board of Equalization of Valley County for tax ) AND ORDER  
year 2007. )

**COTTAGE SITE LEASE APPEAL**

THIS MATTER came on for hearing February 19, 2008, in Cascade, before Hearing Officer Travis VanLith. Board Members Lyle R. Cobbs, Linda S. Pike, and David E. Kinghorn participated in this decision. Sue Powell and Barb Stoddard appeared for Appellant Stoddard Clark Family Cabin Trust. Assessor Karen Campbell and Chief Deputy Assessor Deedee Gossi appeared for Respondent Valley County. This appeal is taken from a decision of the Valley County Board of Equalization denying the protest of the valuation for taxing purposes of property described as Parcel No. XR00196001031AA.

**The issue on appeal is the market value of a cottage site leased from the State of Idaho. Idaho Code § 39-3635.**

**The decision of the Valley County Board of Equalization is affirmed.**

FINDINGS OF FACT

Subject's assessed land value is \$1,423,220. Appellant requests the land value be reduced to \$800,000.

Subject is a .845 acre lot located on the shore of Payette Lake. Subject's topography is described as level with a naturally protected sandy beach. Subject has 70 feet of lakefront. Attached is a small cabin built in 1937. The lot is leased from the State of Idaho and is the sole issue in this appeal.

Appellant presented several real estate listings for lakefront properties in subject's area. It was noted the properties had been on the market since summer 2007, yet had not sold as of

the date of this hearing. All the listing prices were well below subject's assessed value. The property argued by Appellant to be most similar to subject is currently listed for \$750,000.

Appellant also challenged the method of valuation used by Respondent. It was argued that because subject is leased land, it should not be compared to property held in fee simple.

Respondent conceded leased properties historically sell between 30% and 40% below fee simple properties, however, maintained Idaho Code required leased land be valued as if it were held in fee simple. Respondent noted the only reason for valuing leased land is to provide the Payette Lake Sewer and Water District a basis from which to collect fees from tenants utilizing their services.

Respondent then explained the method used to value properties fronting Payette Lake. The Assessor determined the "standard" lot size on the lake was 100 front feet with 225 feet of depth. Lots containing more square footage are considered non-standard and are automatically given a 5% upward adjustment. The "buffer" land (excess depth) is then valued at \$1.26 per square foot. Subject is a non-standard lot (70 front feet) so the 5% upward adjustment was applied. The 8,486 square feet of buffer was then valued at \$1.26 per square foot. Finally, subject was given a 5% downward adjustment because of its limited access. This all resulted in subject's \$1,423,220 land assessment.

To form the base value of a standard lakefront lot, Respondent examined data involving lakefront properties that sold during 2005 and 2006. Ten (10) sales were studied and used to establish the base value. Adjustments are then made for unique characteristics of each lakefront parcel. As noted above, such adjustments were applied to subject. The sale properties were lots containing between 56 and 217 front feet, which sold between \$1,175,000 and \$2,975,000.

## CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

For the purpose of taxation Idaho requires property be assessed at market value as defined in Idaho Code § 63-201(10);

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Respondent used ten (10) lakefront sales that occurred during 2005 and 2006 to establish the base for all lakefront parcels. This rate simply reflected a standard lakefront lot (100 front feet and 225 feet deep). Adjustments are then applied to “non-standard” lots. Most notably, excess depth, which is valued at \$1.26 per square foot. Subject is considered a non-standard lot, so the corresponding adjustments were made to the base value to arrive at subject’s current assessed value.

Appellant challenged the method employed by Respondent to value subject. Specifically, Appellant contended using property held in fee simple as a basis for valuing subject, a leasehold, was improper because they are not like properties.

Respondent conceded leased properties typically sell at a discount compared to properties held in fee simple, however, maintained Idaho Code requires leased parcels be valued the same as non-leaseholds.

Idaho Code § 39-3635 addresses cottage site leases and reads in pertinent part:

(3) Notwithstanding that title to a cottage site remains in the state of Idaho, each cottage site lessee shall pay to any district operating a sewer system to which the cottage site is connected as provided in subsection (2) of this section, each year in the same manner and at the same time as county taxes are paid and collected a sum of money in lieu of taxes equal to the sum which would have been paid had the cottage site been held in private ownership, hereinafter called special benefits payments. . .The cottage site lessee shall have such rights of protest, hearings and appeals with respect to the valuation of the cottage site for purposes of determining the special benefits payments as if such cottage site were held in private ownership. (Emphasis added.)

While the parties both agree, as does the Board, that leased properties do not command the same amount of money as property held in fee simple, Idaho Code does not recognize such a distinction and requires leasehold parcels be valued the same as those held in fee simple. As such, the remaining question is whether Respondent's method for valuing subject is fair and reasonable.

As noted above, Respondent analyzed ten (10) lakefront sales that occurred over the prior two years. This seems a good sample from which to derive base values for lakefront parcels, and nothing in the record indicates otherwise. Adjustments are made to the base rate to reflect unique characteristics of each lakefront parcel. In the present case, the front foot value of subject was adjusted upward by 5% because it was not considered a "standard" lot. Respondent also applied a 5% downward adjustment on the overall value to account for subject's limited access.

From the information presented, it appears the County thoughtfully and reasonably valued subject. The law requires leased property be valued as if it were held in private ownership (fee simple). Nothing in the record indicates the method used by Respondent to value subject is erroneous. Accordingly, the Board will affirm the decision of the Valley County Board of

Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Valley County Board of Equalization concerning the subject parcel be, and the same hereby is, affirmed.

MAILED April 3, 2008